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SUBJECT: SOUTH SUMATRA DECENTRALIZATION: DIAMONDS IN THE WEEDS

¶1. (U) Summary. Consulate Medan surveyed decentralization programs at the district and city levels in Bangka Belitung and South Sumatra Provinces in southern Sumatra during the week of June 22-27. Bangka Belitung's experiences in providing a scheme for universal health insurance and subsidies stand out as an example of district-level initiatives linking districts and citizens to access critical services. In South Sumatra Province the Governor's initiative to mandate free K-12 education province-wide has yielded nearly universal support, including from civil servants who are implementing the program in Palembang, Sumatra's second largest city. End Summary.

#### MAKING FREE HEALTH CARE A REALITY

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¶2. (SBU) While all of the District Heads and Mayors interviewed on Belitung and Bangka islands and in the city of Palembang agreed that decentralization was being conducted half-heartedly by Jakarta authorities, they unanimously acknowledged that their health and education initiatives would have been impossible to achieve even five years ago. Both districts visited by Consulate Medan on the island of Belitung have implemented an agreement with the Indonesian State Health Insurance program (ASKES) to provide health coverage to all individuals not already covered under employer-sponsored programs.

¶3. (SBU) The revenue allocation for the Belitung insurance scheme is on a cost-sharing basis with the Provincial Government footing 60 percent of the costs and the district authorities providing the other 40 percent. District officials interviewed in Belitung June 22 and 23 in both Belitung Timur and Belitung Induk districts stated that they have not seen widespread abuse of the program and that health care costs are in line with budgetary allocations. The program has been in existence since 2005 and recent experience indicates it will continue. Factors cited by local officials in the success of the program are Belitung's isolation, with few outsiders or migrants, and a population of only some 200,000. An additional factor is that hospital services remain rudimentary so both the complexity and cost of potential procedures are limited. One additional challenge for the two districts is that Belitung Induk has better hospital facilities, causing many residents to travel there for treatment.

#### WIRED TO THE WORLD IN SMALL PROVINCIAL CAPITAL

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¶4. (SBU) On the neighboring, larger island of Bangka the provincial capital of Pangkalpinang used the latitude granted under

decentralization for a concentrated push to vastly improve the IT backbone of its secondary schools. All 19 high schools in the provincial capital have both wifi and video conferencing systems (using the same Polycom-brand equipment in our Embassies and Consulates) and already partnering with schools in Malaysia and China by doing joint workshops and interactions. Beyond the school exchanges, the City Education Office hosts services for IT at other offices such as the City Planning Office, thanks to their success at this. They are now actively seeking U.S. partner high schools for their programs.

#### DISTRICT OFFICIALS FIRMLY IN CONTROL

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15. (SBU) The city administration cited this as a perfect example of the types of innovative local initiatives impossible before recent decentralization efforts. The initiative is a direct result of the Head of the City Education Office, Edison Taher, collaborating with Pangkalpinang's Mayor Zulkarnain Karim. Mayor Karim was the most forceful among those we met in protecting his powers under decentralization, saying the governor has the right to consent to the mayor's political appointees, but that "it is my role to choose them and I will not allow any Governor to tell me what to do in my own house".

#### FREE EDUCATION FOR ALL IN SOUTH SUMATRA

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16. (SBU) The Province of South Sumatra, under the leadership of recently-elected (2008) Governor Alex Noerdin, within the first 90 days of his administration instituted a system to provide free K-12 education province-wide effective in July. City of Palembang officials from Deputy Mayor Romi Hertono to the heads of the City

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Education and City Planning offices all supported the project. Palembang, as Sumatra's second largest city with a population exceeding 1.6 million, has implemented the scheme that includes abolishing all school and book fees for students in public education. The provincial and district budgets are shared, and some 40 percent of the Local Budget Plan (APBD) for South Sumatra is now allocated to the education system. According to the Head of the Palembang City Council, Yansuri, this type of program would have been impossible even five years ago. Palembang has also forged ahead with an international-standards high school and ISO certifications for their schools.

17. (SBU) District and city-level local governments in southern Sumatra have capitalized on the freedom and flexibility offered under Indonesia's decentralization programs to create both top-down and bottom-up initiatives. Whether it is the district-generated healthcare program in Belitung and Bangka or the province-initiated push for free K-12 education, these provincial and district officials are mastering the intricacies of managing local budget allocations and making the most of the revenue-sharing hat has greatly increased local budgets in recent years. While different

parts of Sumatra face varying sets of circumstances these southern Sumatran localities are examples of effective promotion of local interests and taking advantage of the opportunities that decentralization provides.

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